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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 000284

SIPDIS

E.O. 12958: DECL: 05/07/2018
TAGS: [PREL](#) [MARR](#) [EZ](#)
SUBJECT: CZECH RATIFICATION OF MISSILE DEFENSE AGREEMENTS
LIKELY TO SLIP UNTIL YEAR-END

REF: A. PRAGUE 208

[1](#)B. PRAGUE 264

Classified By: DCM Mary Thompson-Jones for reasons 1.4 b+d

[1](#)1. (C) Summary: While no final decision has been made, it appears increasingly likely that Czech ratification of the missile defense (MD) agreements will not occur until after the regional and Senate elections this fall. This reflects the reality that we have not yet been able to work out an agreed scenario for signing the two agreements, nor closed the last issues in the SOFA. But it also reflects new hope within the government that they will be able to win support for the agreements from the opposition Social Democrats following the fall elections. The strong NATO statement on MD at the Bucharest NATO Summit, together with a successful conference in Prague this week on NATO and MD, should help win over skeptics within the coalition and in the opposition. However, in the end the fate of the MD agreements will likely depend more on the government's success in linking the MD vote to ratification of the EU Lisbon Treaty and legislation on Czech acceptance of the International Criminal Court.

[1](#)2. (C) With the outcome in parliament still uncertain, near-term decisions on how to conclude the SOFA and sign the two agreements remain important. In discussions on the margins of the NATO Conference this week, Czech officials emphasized the importance of the unresolved taxation issue in the SOFA to the powerful finance minister (who wields considerable influence among the Christian Democrats), and the symbolism of the signing ceremonies. The most important contribution we can make to a successful outcome is to set a date for the Secretary to visit Prague to sign the agreement(s) during the next two months. End summary.

Success on NATO front

[1](#)3. (C) As discussed in ref A and previous, demonstrating a strong NATO linkage to the planned U.S. MD assets in Central Europe has been a top Czech priority. Both the opposition Social Democrats and the junior coalition partner Greens have said that NATO endorsement of the system and maximum "NATOization" of the third site are necessary for them to support the MD agreements. Predictably, both in the wake of the Bucharest Summit and at the May 5 conference in Prague on "Missile Defense After the Bucharest NATO Summit," some senior CSSD and Green officials continued to posture by claiming that the MD portion of the Bucharest declaration was not sufficiently strong. This despite NATO Secretary General de Hoop Scheffer's very clear endorsement of the U.S. project during his participation in the May 5 conference. Nonetheless, Czech officials believe that the Bucharest language and the follow-up conference here, and particularly de Hoop Scheffer's public statements and private meetings

with the Greens and CSSD leaders, have had a positive impact on the debate and will prove useful in giving cover to wavering Deputies when the votes finally take place.

Close to the end on negotiations

14. (C) At Bucharest on April 3 the U.S. and Czech delegations announced agreement on the Ballistic Missile Defense Agreement. Negotiations on the SOFA Supplemental during the week of April 7 (ref B) closed all but three issues: environment, scope of the agreement, and taxation of U.S. contractors. In a meeting May 5, Deputy PM and Minister of Environment (and Green party chairman) Martin Bursik told U/S John Rood that the Czechs accept our proposal on environment, bringing that portion of the SOFA to closure. Czech officials have also told us that they believe our compromise on scope (agreeing to limit the SOFA Supplemental to the radar site but stating the Parties "may apply" the SOFA to other mutually agreed activities) is acceptable, although this will need formal government acceptance. (Note: In recent meetings, Czech MFA officials have acknowledged that this represents a significant USG concession, but also stressed that it is a compromise on their side as well as ours, since it is not the radar-only formulation they had been seeking.)

15. (C) The taxation issue was much discussed on the margins of the May 5 conference. FM Schwarzenberg and Deputy Defense Minister Bartak both stressed to U/S Rood the importance of coming to some compromise on taxation that recognizes how symbolically important the issue is to Finance Minister

PRAGUE 00000284 002 OF 003

Kalousek. Kalousek, the former Chairman of the Christian Democrats who is still very influential within the party, has made tax reform and simplification a personal priority (passage of tax reform was the government's major legislative achievement last year). MFA staff have admitted to us that part of the problem is that, until the final rounds, the Finance Ministry negotiator on taxes was not very effective; had the Deputy Finance Minister been present at the start, tax might have been worked out in a manner agreeable to all. But the fact is that Kalousek is personally invested in this issue. PM Topolanek, who has told the Ambassador he personally is not concerned about the issue, has so far been unable to move Kalousek. The MFA and MOD understand that agreeing to taxation of U.S. contractors would be particularly difficult for us because of the precedent it would set. MFA staff told us May 6 that they are reviewing with the Finance Ministry the text of the U.S.-Spain SOFA Supplemental to see if the treatment of taxation in that agreement will resolve Kalousek's concerns.

Signing issues

16. (C) The Czechs have made clear, in private meetings and public statements, that it is important to the final success in parliament that the agreements (or at least the BMDA) be signed by Secretary Rice and FM Schwarzenberg and that this take place in Prague. Government officials understand that, because they turned down the proposed visit on May 5, there is currently no date on the Secretary's schedule for a visit to Prague. (Note: While the Czechs had initially invited Rice to Prague for the May 5 conference, they subsequently decided that it was equally or even more important for their parliamentary strategy to have a day focused squarely on the NATO Secretary General, and made the difficult decision to put off the signing rather than risk diluting the NATO message.) Deputy PM Vondra in the press this week made reference to a possible signing in June or July. In a discussion with the Ambassador on May 6, Vondra pressed for a visit to Prague and signing (ideally of both agreements) no

later than mid-July, which coincides with the planned start of the summer parliamentary recess.

¶7. (C) Discussion of a possible early May visit to Prague began to circulate at the Bucharest Summit. Word that the visit would not take place in this timeframe - for scheduling reasons - has led to speculation (fueled by the opposition, according to the government) that the delay signals that the USG is now reassessing the MD project, a suspicion that upcoming Congressional committee action on the FY09 defense budget will likely fuel. In fact, the Czechs' belated realization that U.S. Congressional action could work against them has brought a renewed focus on the importance of a firm signing date. FM Schwarzenberg and others have urged us to agree as soon as possible on a date for the signing in order to quash speculation about the future of the project.

Parliament: CSSD back in play

¶8. (C) The government has not yet decided when it will submit the agreements to parliament. The concern is avoiding the politically-charged environment surrounding the fall Senate and regional elections (taking place over two weeks in late October/early November). DPM Vondra confirmed to Ambassador that the government may yet decide to call a special session of parliament in order to try to pass the agreements in August. However, there is strong sentiment against this since the government called such a session last summer in order to pass the tax reform legislation. The more likely scenario is an end-of-year vote.

¶9. (C) FM Schwarzenberg told U/S Rood that he has been working quietly with some members of the opposition Social Democrats (CSSD) to win their support. These talks are continuing. Schwarzenberg appeared optimistic about success of this effort, but said it is only feasible if the vote takes place after the fall election. One missing element is finding a way for CSSD Chairman Paroubek to "save face." This may consist of a bargain involving approval of the Lisbon Treaty and the International Criminal Court - both of which should be done before the Czechs begin their EU Presidency in January 2009, but both of which are opposed by Topolanek's ODS, although strongly supported by CSSD (and the Greens). Paroubek met on May 5 with de Hoop Scheffer; according to MFA staff, he maintained the stance he has assumed regularly with the Ambassador and other USG officials: explaining that he personally is not opposed to

PRAGUE 00000284 003 OF 003

the MD system, but that he does not currently see how he can support it given strong opposition within the party. We understand that Paroubek and PM Topolanek last month had their first meeting since the new year, which also bodes well for a possible compromise.

¶10. (C) Comment: The pieces appear to be falling into place for ratification of the two agreements before the end of 2008. The Czechs continue to frustrate with some of their negotiating demands and poor performance managing and shaping the public message (especially glaring as Greenpeace and others are staging numerous public events which, while still attracting small attendance, garner considerable press). They made a mess of the possible May visit by the Secretary. Nonetheless, we expect that in the long run this project in the Czech Republic will be fully successful, boosting America's (and the Alliance's) security as well as U.S. relations with Central Europe. We need to do what we can to ensure a successful vote in parliament, and particularly to blunt what will be very unhelpful headlines if the HASC and other committees vote to cut short-term funding for the project. The most important contribution we can make is to schedule a date for the Secretary to visit Prague and sign the agreements in the next two months.
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